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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 001047

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TAGS: [PREL](#) [ENRG](#) [EPET](#) [ECON](#) [KU](#) [IZ](#)  
SUBJECT: IRAQI ELECTRICITY MINISTER NEGOTIATES WITH KUWAIT  
FOR FUEL SUPPLIES TO IRAQI POWER PLANTS

REF: A. KUWAIT 1026  
[1](#)B. BAGHDAD 2083  
[1](#)C. KUWAIT 838  
[1](#)D. 06 KUWAIT 4638

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d)

[1](#)1. (C/NF) Summary and Comment: An Iraqi delegation consisting of the Electricity Minister, the Director-General of SOMO (the Iraqi State Oil Marketing Organization), and former Iraqi Parliament Speaker Hajim Al-Hassani visited Kuwait from 25-27 June to ask the GOK to take the necessary steps to facilitate deliveries of diesel fuel from Kuwait to Iraq by tanker truck to support the GOI's growing fuel needs for power generation. During a 27 June telcon with Econoff, the Electricity Minister characterized their meetings as "largely successful," noting that the Kuwaiti Amir, Prime Minister, and Interior Minister have all expressed their support. He initially said SOMO and the Kuwait Petroleum Corporation (KPC) had settled on terms and conditions for a new fuel contract which was expected to be signed in the next few days. He then called Econoff late on the 27th to report that KPC had received new instructions to refuse to sign the new fuel contract until SOMO settled arrearages and damages claimed by Kuwaiti trucking companies that SOMO had contracted in support of its previous fuel contract with KPC.

ARCENT and the Kuwaiti MOI have both agreed, in principle, to allow the tanker trucks to use the new military K-Crossing to deliver fuel to Iraq. It appears, however, that at least for now, one or more of the Kuwaiti trucking companies is trying to use political influence to prevent KPC from making new fuel deliveries absent resolution of their outstanding claims for fees and damages. KPC Acting CEO Saad Al-Shuwaib told the Ambassador on 2 July that the contract with the Iraqis is "almost finished," but this is a "very tricky" issue with the Parliament. He said he will seek guidance from the new acting Oil Minister and current Minister of Electricity and Water Mohammed Al-Elaim. The Ambassador responded that the USG does not want to get in the middle of commercial disputes but would like to see this problem resolved promptly. End Summary.

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Iraqis Get Positive Response from Amir, PM, MOI, KPC  
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[1](#)2. (C/NF) On 26 June, Iraqi Electricity Minister Dr. Karim Hasan made his second visit to Embassy Kuwait in less than a month to request USG support in getting the GOK to take the necessary steps to enable deliveries of diesel fuel from Kuwait to Iraq by tanker truck to support the GOI's growing fuel needs for power generation. A/DCM, Poloff, Econoff,

U.S. Customs rep, OMC-K Ops Officer, and ARCENT Chief of Staff participated. Dr. Karim explained that he, SOMO Director-General Dr. Falah Al-Amiry, and Former Iraqi Parliament Speaker Hajim Al-Hassani had come to Kuwait for a series of meetings with GOK and KPC officials and tanker truck companies to try to settle issues of outstanding payments, new contracts, and border crossing logistics. He said that in separate meetings on 25 June, Kuwaiti Amir Shaykh Sabah Al-Ahmed Al-Sabah and National Security Bureau President Shaykh Ahmed Al-Fahd Al-Sabah both expressed their support for reopening KPC fuel supplies to Iraq. ARCENT Chief of Staff told Dr. Karim that CENTCOM would support the limited use of the MNC-I K-Crossing (also known as Khabari Crossing) by SOMO-contracted tanker trucks, since the commercial Abdaly-Safwan border is closed to fuel shipments. Emboffs also conveyed that Kuwaiti Under Secretary of Interior LGEN Nasser Al-Othman had told A/DCM that the GOK would support the use of K-Crossing as long as ARCENT approved. Embassy facilitated a meeting later in the day for Dr. Karim with Kuwaiti Prime Minister Shaykh Nasser Al-Mohamed Al-Sabah, who reportedly expressed support for providing KPC fuel through the K-Crossing. On 27 June, Dr. Karim told Econoff by phone that separate meetings with KPC Acting CEO Saad Al-Shuwaib and Interior Minister Shaykh Jaber Al-Mubarak Al-Sabah had gone well. Shaykh Jaber supported the K-Crossing proposal and said he would investigate whether the Abdaly-Safwan commercial crossing should remain closed to fuel trucks.

13. (C/NF) Dr. Karim called Econoff on the afternoon of 27 June to say that the negotiations between SOMO and KPC had been concluded and all terms and conditions agreed to by both parties. He said all that remained was for KPC to review and sign the contract and forward it to Baghdad for SOMO

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signature, according to a procedure that had been worked out for the previous contract signing between SOMO and KPC. The contract calls for KPC to provide 1.5 million liters per day for a period of one year. He said this equates to 45 tanker trucks crossing the border daily. SOMO has negotiated a separate contract with Kuwait-based Rehal trucking company, which will be signed once Rehal receives some assurance from ARCENT that K-Crossing will remain open for its trucks for the duration of the contract. Due to the possible logistical complications of having empty fuel trucks return through K-Crossing, the empty trucks may need to return through the commercial crossing. Dr. Karim said Interior Minister Shaykh Jaber told him this should not be a problem.

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KPC Reverses: SOMO Must First Settle Outstanding Payments  
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14. (C/NF) Later on the evening of 27 June, Dr. Karim called Econoff to say that he had just been notified by KPC that the situation had changed and they would be unable to sign a new fuel contract with SOMO until arrearages and damages were paid to the Kuwaiti trucking companies that had been contracted by SOMO in support of its previous fuel contract. Dr. Karim said that SOMO was prepared to settle all outstanding invoices and damage claims with trucking companies Al-Ahamadah (ALI), Rehal, and DSCO, but was not prepared to pay the USD 13 million in damages claimed by AIMS trucking company, which SOMO considers excessive. Dr. Karim explained that he had received previous correspondence from Mr. Nayef Al-Rekaibi, Under Secretary for National Assembly Affairs in the Prime Minister's Diwan, which stated that no fuel deliveries would be allowed to cross the border until SOMO paid all the damages claimed by Kuwaiti trucking companies. He said that KPC had refused to discuss a contract with SOMO DG Al-Amiri when he visited Kuwait on or about 15 June. Dr. Karim believed this was due to pressure from certain Kuwaiti MPs with ties to the trucking companies involved. Based on his discussions with the Amir, Prime Minister, and Interior Minister on 25-27 June, however, it

had appeared that the GOK was now willing to treat the issues of arrearages and damages due to Kuwaiti transportation companies as separate from the issue of new contracts. Dr. Karim contends that SOMO should not be held liable for damages resulting from the GOK's closure of the border. He intends to investigate the history of exactly how, why, and by whose authority border access was closed in order to determine which parties, if any, should be responsible for paying damages to the trucking companies that were stuck holding fuel for eight months. He said that only the Iraqi Prime Minister has the authority to authorize the payment of the USD 13 million in damages claimed by AIMS. SOMO scheduled a late night meeting with AIMS on 27 June to request documentation supporting its claim. Dr. Karim said he also called KPC Acting CEO Al-Shuwaib, who promised to see if there was anything he could do to break the impasse. Dr. Karim said the Iraqi delegation would depart Kuwait late on 28 June, and return to Baghdad on 29 June after connecting through Amman.

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Ambassador Urges Prompt Resolution; KPC: Issue is "Tricky"  
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15. (C/NF) On 2 July, the Ambassador spoke by phone with KPC Acting CEO Saad Al-Shuwaib, who said KPC was "almost finished" with a contract for the Iraqis. He said, however, that the transport companies remain a problem. The Iraqis had told KPC they had resolved the outstanding issues with all but one company, AIMS. This turned out not to be accurate according to the Kuwaiti companies involved. Al-Shuwaib said this is a "very tricky" issue with the Kuwaiti Parliament, with some MPs insisting on payment to the trucking companies and others applying pressure to move the product - more than 200 tanker trucks - that has been sitting on the Kuwait side of the border since at least November 2006. Al-Shuwaib also said the Iraqis were adding a new transport company to the mix for the new fuel contract. He said he will seek guidance from the new Acting Oil Minister on how to proceed. (Note: Minister of Electricity and Water Mohammed Al-Elaim has been named Acting Minister of Oil following the June 30 resignation of former Oil Minister Ali Al-Jarrah Al-Sabah - ref A. End note.) The Ambassador responded that the USG does not want to get in the middle of commercial disputes involving trucking companies but would like to see this problem resolved promptly so that the needed

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product can be supplied as quickly as possible.

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